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U. S. Department of Agriculture

MEMORANDUM FOR THE ADMINISTRATOR

REPORT OF PROGRESS FOR THE TENANT PURCHASE DIVISION  
FOR THE PERIOD DECEMBER 1 TO 31, 1938, INCLUSIVE

A number of important questions of policy received consideration in the Tenant Purchase Division during the month of December. A list of these questions and the action taken with respect to them follows.

1. Farmers' Home Corporation Board - Field Visit

The field trip of the Farmers' Home Corporation Board was carried out in December as contemplated. Whereas the original plan had been to start the inspection trip in the high-priced farming areas in Minnesota and Iowa, and then proceed south, the northern lap of the journey was abandoned for the time being. The southern lap was worked out in such a way as to permit participants to attend the annual meeting of the American Farm Bureau Federation held in New Orleans during the week beginning December 11.

The three members of the Board, Harry L. Brown, W. W. Alexander and Albert G. Black, accompanied by the Director of the Division, held the first of a series of informal conferences on December 10, en route from Washington to Montgomery, Alabama. Many questions relating to the Tenant Purchase program were discussed and views were expressed by the Board members, but no formal actions were taken. Subjects considered in the informal discussions included: (1) Various proposals for the expansion of the program, and (2) The effect of the five per cent limitation on administrative expenditures. It was brought out that the joint use of farm and home supervisors by the Rural Rehabilitation and Tenant Purchase Divisions, and the fact that many Tenant Purchase borrowers are recipients of rehabilitation loans makes the





task of determining administrative costs difficult. It is the opinion of the Board that it will be necessary to perfect our accounting system so that reports on costs of administering the Tenant Purchase program can be furnished as required. Further, it is the opinion of the Board that Congress should, at an early date, be advised that the program cannot adequately be administered under the present five per cent limitation.

Policies pertaining to the insurance of improvements on Tenant Purchase farms and the protests of the farmers mutual insurance companies were discussed.

The three members of the Board, the Director of the Division and Kenneth Smith of the Washington TP staff, left Montgomery about 9:00 A.M., December 11, with an auto party headed by Pete Hudgens, Regional Director; Mr. Morgan; Assistant Regional Director, Mr. Woodruff, Regional TP Chief; Julian Brown, State Director of Alabama; and Mr. Millard Pearson, State TP Specialist for Alabama. More than half of the day was devoted to inspecting farms in Elmore County, Alabama. Size of farms, cost of land, cropping systems and character of repairs and new construction all came under observation and discussion. A stop was made for the purpose of interviewing a county supervisor in a Tenant Purchase county between Elmore County and Birmingham, where the touring party spent the night. An informal conference was held in the Tutweiler Hotel, lasting from about 8:00 to 10:00 P.M. Dr. Black, who was obliged to leave the party at this point, opened the discussion on the subject of administrative costs and the five per cent limitation. Regional Director Hudgens then introduced the subject of building standards and requested an expression from the Board on this point. He





emphasized the importance of setting a pattern for better housing on farms in the southern states. He felt that there had been some "dragging of brake bands." Or, in other words, some attitudes in Washington tending to undermine his efforts to maintain a solid front on this question. The discussion that ensued was profitable and revealed the unanimity of opinion.

On December 12, the officials of Region V delivered the visiting party, with the exception of Dr. Black who proceeded to New Orleans, and Kenneth Smith who returned to Montgomery, to Tuscaloosa, where T. Roy Reid, Mr. Whittaker, Mr. Fatheree, other members of the Region VI staff, Mr. Aldridge and Mr. Carpenter of the Mississippi staff, took over the leadership and conducted the caravan across the State of Mississippi, winding up at Jackson around 7: 00 P.M. The party stopped for luncheon at Starkville, home of the Mississippi State College, and proceeded southwest via Ackerman and Kosciusko. Alvin B. Stewart, Robert H. Fisackerly, Mrs. J. A. Randle and Hugh F. McWilliams of the Mississippi State Advisory Committee participated in the tour. Tenant Purchase borrowers and county committee members were met and interviewed at various points along the route. Numerous Tenant Purchase farms were inspected on which construction work was in various stages of progress. Administrator W. W. Alexander presided over an informal dinner conference at Jackson that lasted until 11:00 P.M. This resulted in a highly profitable interchange of views relative to the present status and future of the program in which the members of the State Committee, the Administrator, and Assistant Secretary Brown participated. Assistant Secretary Brown made the concluding statement after A. B. Stewart, speaking for the State Committee, had expressed appreciation of the Board's visit.





The purposes of the Board's visit to the field were well realized and it was generally understood that a similar trip to the northern territory would be attempted at some future date.

2. Measures Instituted to Prevent Abuses of Wage Scale Requirements.

On the basis of a memorandum received from Mercer Evans, Director of Labor Relations, Assistant Administrator Baldwin requested the Director of the Tenant Purchase Division to propose methods of preventing abuses of the wage standard requirements set forth in the instructions of the Tenant Purchase Division. Mr. Evans' memorandum indicated that new construction and repair jobs are being done by force account in order to evade the prevailing wage requirements incident to contract jobs. The Tenant Purchase Division proposed that if necessary, in order to correct abuses, prevailing wage requirements be extended to include private jobs as well as contract jobs. Mr. Baldwin requested an attempt be made to solve the problem through a united effort on the part of the Engineering Staff, the Labor Relations Staff and the TP Staff of the Washington office. Memoranda on the subject of standards for repairs and buildings were exchanged between Baird Snyder, Acting Chief Engineer, and the Director of the Tenant Purchase Division.

3. Divisional Letter No. 9 issued on subject of "Complying with Policy Covering Repairs and New Construction on TP Farms."

This Tenant Purchase letter, based on the facts related above and on observations in the field, was designed to emphasize the advantages of the contract method for performing major construction jobs. It was also designed to warn the field against abuses of the wage scale requirements referred to under the previous heading.





4. Reporting System Presented to the Field.

Kenneth Smith and Madeline Jaffe of the Tenant Purchase Washington staff visited Regions IV, V, VI and VIII during December for the purpose of discussing all phases of the TP reporting system with interested members of the Tenant Purchase regional staffs. It was the aim of the Division to have all county offices in the designated TP counties supplied with the necessary work sheets and report forms in order that revised blanks might be put to use at the beginning of the new calendar year. One purpose of the trip was to discuss with regional office officials plans for introducing the reporting system in county offices and methods of instructing county employees in its use.

Upon Mr. Smith's return to the Washington office from Region VIII, Miss Jaffe proceeded alone to Regions XII, X, VII and III. It is proposed to follow up contacts made initially by Mr. Smith and Miss Jaffe in order that a basis of mutual understanding and common interpretation may prevail with respect to reporting on the progress of the Tenant Purchase program. This responsibility is centered primarily in Miss Jaffe, Jr. Statistician, who is in charge of the compilation of progress reports within the Division.

Measures were taken before Mr. Smith and Miss Jaffe left for the field to make certain that all divisions concerned, namely, the Tenant Purchase, Rural Rehabilitation, Finance, and Procedure, were in agreement with respect to reporting matters. One question which arose after they returned was the use of Report Form 84a. This form had been devised by Mr. Briggs in collaboration with Mr. Skeels and members of the TP staff. It was designed to facilitate the use of the Kardex as a basis for recording all changes in classification of borrowers; for example, those resulting from failure of borrower





to accept the farm after purchase, changes from the fixed payment plan to the variable payment plan of repayment and vice versa. The Procedure Division recommended adversely on this plan and the Administrator indicated his agreement with the point of view of the Procedure Division. The matter was adjusted in conference with interested members of the Finance, Procedure, Rural Rehabilitation and Tenant Purchase staffs. The agreement reached was that the form in question be used as a work sheet in regional offices and that summaries therefrom be included in the quarterly report sent to the Washington office by the regional offices.

5. The use of Trust Funds for Private Accounts Disapproved

A request was made by one of the regions that permission be granted to use the borrower's trust fund account for his general banking account. The effect of such a proposal would be that the borrower would have only one bank account, from which he would be able to draw funds for living and operating expenses only when his checks were countersigned by the county supervisor. This proposal was disapproved on the ground that it constituted a step in the direction of limiting the freedom of borrowers in the use of their private funds and on the further ground that such an arrangement would be inconsistent with developing independence and self-reliance on the part of borrowers.

6. Conference with representatives of other Agencies of the Department of Agriculture relative to reservation of mineral rights

In response to a call originating in the office of the Land Use Coordinator, the Director of the Division participated in a conference presided





over by Ralph Stauber and attended by representatives of the Bureau of Agricultural Economics, the Forest Service and Biological Survey. The purpose of <sup>the</sup> conference was to consider the policies being pursued with respect to mineral reservations on land acquired by the Government, or on land acquired with the proceeds of federal loans. Although each of the agencies of the Department had developed its policy with respect to mineral reservations independently, over a considerable length of time, the conference brought out the fact that the guiding principles were similar in all cases. It has been the policy of these respective agencies to acquire fee simple title to land without reservations in so far as possible. When it is impossible to purchase land including all mineral rights, an attempt has been made to limit the reservation as to time. That is, to allow the vendor to reserve mineral rights for a period of five, ten or fifteen years as the case may be. Efforts are also made to obtain portions of mineral rights sufficient to compensate the Government or borrowers from the Government for losses incurred when development activities take place. The Farm Security Administration seems to be more vitally concerned with this problem than the other agencies because of the fact that we are dealing with a higher grade of agricultural land than the Forest Service, Biological Survey and the Land Utilization Division. In other words, the development of mineral rights on family-size farms may be of much greater consequence than a like development in a grazing area, a large tract of sub-marginal land, a game preserve or a national forest.





The policy of the Farm Credit Administration to reserve mineral rights on the farms repossessed as a result of non-payment of Federal Land Bank loans was discussed. The conferees agreed that there should be no modification of general policies with respect to mineral reservations in the acquirement of Land Bank farms.

7. Committee representing National Association of Farmers Mutual Insurance Companies requests modification of TP insurance regulations

A committee consisting of Harry P. Cooper, Secretary of the National Association of Farmers Mutual Insurance Companies, Harry P. Cooper, Jr., Fred K. Hawley of Lawrens, Iowa, and John H. Ralston of Harrisburg, Virginia, held conferences with various officials of the Department of Agriculture and the Farm Security Administration during the week beginning December 5. The committee presented argument in favor of so modifying Tenant Purchase insurance regulations as to permit farmers' mutual insurance companies to carry insurance on improvements on Tenant Purchase farms. Present Farm Security Administration instructions on insurance provide that insurance may be carried with any insurance company meeting certain conditions and approved as to financial standing by the Farm Security Administration. Inasmuch as one of the requirements is that insurance be carried up to 100 per cent of replacement value, the farmers' mutual companies contend that they are, in effect, excluded by this provision from doing business with Tenant Purchase borrowers. As Tenant Purchase borrowers acquire farms, insurance is being transferred from farmers' mutual companies to the National Mutual Association which is providing 100 per cent





coverage on improvements. The committee conferred with Mr. Evans of the Secretary's office, with Assistant Administrator Milo Perkins, with the Director of the Tenant Purchase Division, and with Mr. Stone of the Resettlement Division. Mr. Perkins pointed out to the committee that the Farm Security Administration is making 100 per cent loans under the Bankhead-Jones Farm Tenant Act and that if buildings are not insured for 100 per cent of their replacement value, a loss by fire, tornado or other cause, will force the borrower to negotiate an additional loan to cover the deficiency. Since borrowers are already carrying maximum loans, the effect of an additional loan would be to throw the farm plan out of balance.

The committee representing the farm mutuals indicated that the limit on coverage is not a legal one but that it is contrary to sound insurance policy to insure up to 100 per cent of the replacement value. They did, however, agree to insure up to 80 per cent of replacement value. The committee was requested by Assistant Administrator Perkins to submit its statement and recommendations in writing and this was done. The committee was also asked to send its representatives to a dozen selected farms in the State of Iowa which are insured under the National Mutual Association and to submit a report on the amount of insurance the mutuals would grant on these farms and the cost of such insurance. It was understood that the Farm Security Administration would withhold final action on the recommendations of the visiting committee until the Iowa report had been received and studied.



8. Mr. Pope's Report on Study of Appraisal Methods

The November report carries reference to a study of appraisal procedure being instituted by James D. Pope of the Tenant Purchase Division staff. After a visit to Regions IV, V and VI, a preliminary report was filed by Mr. Pope under the date of December 27, 1938. This report contained much information that will be helpful in further development of appraisal procedure and policies. The study will be continued in other regions.

9. Statement on Payment Plans Prepared for the Information of Borrowers

Circumstances made it impractical to put the Variable Payment feature, authorized by the Bankhead-Jones Farm Tenant Act, into operation the first year with respect to the 1937-38 TP borrowers. The Variable Payment Plan originally drawn was completely discarded and an entirely new plan was devised. This was not approved in time to present to the 1937-38 borrowers at the time most of the loans were closed. A number of borrowers did not start their record books soon enough to have complete data on which net cash incomes could be determined. For these reasons no definite occasion has been made for a decision by borrowers as to whether they would repay their loans under the Fixed Payment Plan or the Variable Payment Plan. During December, Mr. Brewster and the Director of the Division collaborated in preparing a series of questions and answers under the title "Shall I Repay my TP Loan under the Fixed Payment Plan or the Variable Payment Plan." The intention is to have one of these question and answer statements given to each borrower, with the request that he





signify his choice between the two plans. Hereafter, as loans are closed, borrowers will be given a copy of the statement and they will be expected to render their decision as to repayment plans before occupancy of their farms.

10. Copy of the Revised Family Record Book received

The Division received its first draft of the revised Farm Security Administration Family Record Book during December. The original Farm Security Administration Record Book had been revised by a committee appointed by the Farm and Home Management group at the time of their national conference in Washington. The Tenant Purchase Division asked that a sufficient number of copies of the revised book be run off so that each TP borrower might be furnished with a copy, thus obviating the necessity for change of books at the end of the year. Examination of the revised book has resulted in the conclusion, however, that it will require some further modifications before it is in acceptable form. These modifications must be in the direction of simplification. The Division will submit its recommendations along this line to Mr. Riggle and Mrs. Thompson.

11. Actions on Extension of State and County Committees cleared with Personnel Division

With the help of Mr. Littlejohn of the Personnel Division, slight modifications were made in the extension of appointment letters for state and county committees. These statements were signed by the Administrator and sent to the field in December in time to avoid any lapse of committee appointments. Considerable care was taken in drafting the letters and replies received from numerous state and county committee members indicate that these efforts were well justified. Particularly the letters





from state committee members reveal gratifying interest, a fine spirit of cooperation and appreciation of the Administrator's letter.

Under the date of December 29, the Secretary issued a memorandum authorizing Winston B. Stephens and William F. Littlejohn to approve all personnel actions, except original appointments, affecting the personnel status of State Advisory committeemen and County committeemen in the Farm Security Administration.

This arrangement should facilitate the handling of state and county committee personnel actions. The Tenant Purchase Division is concerned primarily with the original statements of appointment and is not equipped to handle the details that follow the initial appointive action.

12. Participation on Inter-Divisional Committee on Farm Security Administration Reporting System.

The Director of the Division sat in on two or three meetings of a committee appointed by the Administrator and headed by Jim Maddox to consider the entire question of the Farm Security Administration's reporting system. The principal question at issue is whether or not needed improvements in the present reporting system can be accomplished under the present scheme of organization or whether the system should be headed up under a Special Assistant to the Administrator whose responsibilities would be to exercise a guiding influence in improving reports and preparing interpretations and analyses that would be useful for administrative and informational purposes. The committee is still pursuing its considerations of these questions.





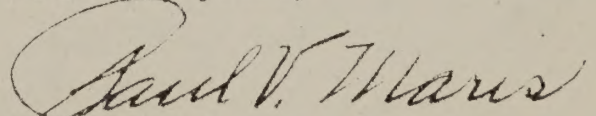
13. Further consideration of Bonding Problem.

The November report made reference to negotiations with bonding companies relative to rates on bonds designed to protect borrowers against losses growing out of irregular actions on the part of Farm Security Administration employees. The whole question was discussed at a conference participated in by representatives of the Solicitor's office, Finance Division, Rural Rehabilitation Division and Tenant Purchase Division. This conference resulted in an agreement that some modification should be made in the form of bond. The Solicitor's office agreed to make the necessary revisions at once and submit the bond for consideration of the Tenant Purchase Division.

14. Field Trips

The Director of the Division accompanied the members of the Farmers' Home Corporation Board on a field trip to Alabama and Mississippi which was discussed at the beginning of this report. He visited Lansing, Michigan, on December 4 and addressed the members of the Extension Staff of the State of Michigan, assembled for their annual conference on the campus of the Michigan State College. A conference was also held with State RR Director R. G. Carr, and his District RR and Home Supervisors. Miss Rivers, Regional Home Economist, was also present at the conference.

Sincerely yours,



Paul V. Maris, Director  
Tenant Purchase Division



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